

ODD FELLOWS SIERRA RECREATION ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
MAY 31, 2003

TABLE OF CONTENTS

ACCOUNTANT'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets and Liabilities	2
Statements of Revenues, Expenses, and Changes in Members' Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5 -8

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INDEPENDENT AUDITOR'S REPORT

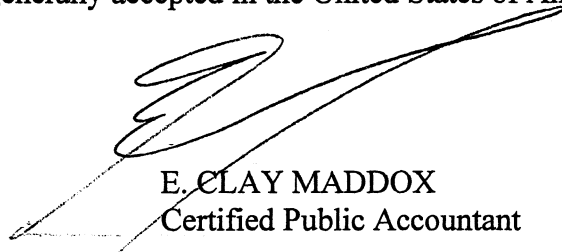
To the Board of Directors and Members
ODD FELLOWS SIERRA RECREATION ASSOC., INC.
Long Barn, CA

I have audited the accompanying Statement of Assets, Liabilities and net members' equity - cash basis, of ODD FELLOWS SIERRA RECREATION ASSOC., INC. as of May 31, 1998, 1999, 2000, 2001, 2002 and 2003, and the related statements of revenues, expenditures, and changes in members' equity for the years then ended, and statement of cash flows for the year ended May 31, 2003. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, except as noted above, the financial statements referred to above present fairly, in all material respects, the financial position of ODD FELLOWS SIERRA RECREATION ASSOC., INC. as of May 31, 1998, 1999, 2000, 2001, 2002 and 2003, and the results of its operations for the years then ended, and its cash flows for the year ended May 31, 2003, in conformity with accounting principles generally accepted in the United States of America.



E. CLAY MADDOX
Certified Public Accountant

November 5, 2003

ODD FELLOWS SIERRA RECREATION ASSOC., INC.
STATEMENTS OF ASSETS AND LIABILITIES
MAY 31,

ASSETS	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
CURRENT ASSETS						
Cash on hand	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00
Cash in banks	0.00	598.24	8.70	3,755.37	3,966.45	4,016.26
Cash in savings (Note 4)	221,938.53	159,368.25	190,513.79	262,482.07	290,324.62	692,062.08
Total Current Assets	<u>\$222,138.53</u>	<u>\$160,166.49</u>	<u>\$190,722.49</u>	<u>\$266,437.44</u>	<u>\$294,491.07</u>	<u>\$696,278.34</u>
EQUIPMENT, FIXTURES AND BUILDING,						
at cost, less accumulated depreciation (Note 3)	<u>326,851.80</u>	<u>342,593.73</u>	<u>376,747.34</u>	<u>347,006.25</u>	<u>325,651.09</u>	<u>163,070.90</u>
Total Assets	<u><u>\$548,990.33</u></u>	<u><u>\$502,760.22</u></u>	<u><u>\$567,469.83</u></u>	<u><u>\$613,443.69</u></u>	<u><u>\$620,142.16</u></u>	<u><u>\$859,349.24</u></u>
 LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES						
Payroll taxes payable	<u>\$0.00</u>	<u>\$962.65</u>	<u>\$1,046.24</u>	<u>\$1,390.12</u>	<u>\$1,381.02</u>	<u>\$1,504.98</u>
Total Current Liabilities	<u>\$0.00</u>	<u>\$962.65</u>	<u>\$1,046.24</u>	<u>\$1,390.12</u>	<u>\$1,381.02</u>	<u>\$1,504.98</u>
MEMBERS' EQUITY						
Timber reserve	\$125,281.00	\$115,111.00	\$126,799.00	\$177,678.00	\$198,416.00	\$451,462.95
Equipment reserve	10,330.00	10,840.00	11,296.00	19,275.00	20,096.00	27,897.45
Water reserve	15,344.00	15,960.00	24,005.00	26,203.00	34,818.00	38,295.97
Road reserve	59,602.00	11,035.00	10,690.00	25,269.00	24,294.00	52,164.89
Retained earnings	338,433.23	348,851.57	393,633.59	363,628.57	341,137.14	288,023.00
Total Equity	<u>\$548,990.23</u>	<u>\$501,797.57</u>	<u>\$566,423.59</u>	<u>\$612,053.57</u>	<u>\$618,761.14</u>	<u>\$857,844.26</u>
Total Liabilities and Equity	<u><u>\$548,990.23</u></u>	<u><u>\$502,760.22</u></u>	<u><u>\$567,469.83</u></u>	<u><u>\$613,443.69</u></u>	<u><u>\$620,142.16</u></u>	<u><u>\$859,349.24</u></u>

See Accompanying Notes and Independent Auditor's Report.

ODD FELLOWS SIERRA RECREATION ASSOC., INC.
STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD ENDED MAY 31,

REVENUE	1998	1999	2000	2001	2002	2003
Assessments	\$146,810.00	\$146,935.00	\$147,230.00	\$148,196.00	\$155,460.00	\$165,141.85
Recreation	83.15	0.00	0.00	35.00	0.00	0.00
Property rental	350.00	450.00	350.00	2,400.00	7,550.00	6,400.00
Fish donations	331.50	598.75	717.00	972.25	1,775.00	1,510.00
Reserve income	0.00	0.00	7,160.00	7,240.00	7,260.00	9,832.55
Gate rental income	200.00	130.00	0.00	0.00	0.00	0.00
Gate income	8,570.00	8,200.00	2,070.00	1,200.00	2,390.00	1,920.00
Refunds	-25.00	0.00	0.00	0.00	0.00	0.00
Timber	103,425.78	0.00	108,189.56	93,572.62	85,923.41	103,357.95
Interest	5,107.77	4,489.99	4,699.22	9,405.90	6,604.09	3,876.99
Timber interest	6,671.58	6,741.04	7,714.12	6,205.98	8,500.68	11,774.57
Other revenue	16,596.17	548.95	9,360.59	10,614.79	5,159.00	199,941.78
Total Revenue	\$288,120.95	\$168,093.73	\$287,490.49	\$279,842.54	\$280,622.18	\$503,755.69
EXPENDITURES						
Auto mileage reimbursement	\$2,206.25	\$1,839.65	\$2,167.50	\$3,065.40	\$3,004.30	\$3,134.92
Depreciation	43,887.00	44,186.00	50,451.00	62,537.00	68,655.00	86,687.00
Employee benefits	44.00	0.00	0.00	0.00	0.00	2,491.41
Fish derby	951.10	657.44	998.07	949.63	1,484.15	450.00
Fuel expenditure	2,800.06	3,619.32	4,291.84	4,729.70	3,041.26	2,461.96
Health and safety	2,809.45	2,391.62	2,881.02	3,762.45	2,748.81	1,600.67
Insurance	17,358.51	17,701.15	17,327.99	19,428.93	29,205.47	32,638.21
Interest/bank chgs.	17.70	12.15	28.10	105.05	44.99	37.50
Health insurance reimb.	1,500.00	0.00	0.00	0.00	0.00	0.00
Garbage expense	9,910.11	11,290.79	10,541.32	11,252.07	10,680.86	11,398.00
Gate expenditure	2,343.45	960.70	2,108.50	1,394.71	2,445.15	3,639.15
Land sales expenditure	0.00	0.00	0.00	0.00	0.00	1,623.00
Professional expenditure	1,011.00	412.95	1,219.25	3,769.96	9,098.02	11,727.08
Accounting expenditure	7,861.96	5,256.28	5,995.80	5,702.00	5,975.00	5,651.57
Member communications	2,692.76	3,285.37	2,776.11	2,240.00	2,704.88	3,118.68
Office supplies	147.51	296.94	451.52	611.60	136.72	421.22
Outside services	0.00	0.00	450.00	0.00	18.46	0.00
Permits and fees	205.00	98.00	161.00	189.00	412.00	290.00
Recreation	2,666.15	1,018.13	230.69	2,292.90	492.71	1,861.15
Maintenance - building	7,425.83	4,398.95	2,476.61	2,231.92	2,949.57	4,325.47
Maintenance - equip.	3,270.35	2,178.37	1,938.10	5,194.65	3,534.70	5,281.04
Maintenance - roads	4,348.85	4,250.86	2,044.92	4,122.82	7,775.77	2,916.60
Maintenance - water system	14,192.55	28,286.64	6,711.02	3,412.33	3,183.28	3,088.62
Maintenance - road - capital	46,133.70	0.00	0.00	0.00	0.00	0.00
Repairs and maintenance	0.00	0.00	682.87	3,538.09	4,989.50	3,387.24
Supplies - shop	1,076.70	1,338.90	1,251.43	1,437.12	1,000.53	788.10
Supplies - rec. hall	72.63	0.00	193.85	324.82	0.00	87.82
Taxes - payroll	2,624.20	4,992.14	3,973.85	4,617.77	5,144.63	5,284.27
Taxes - property	0.00	0.00	0.00	0.00	3,186.94	3,169.96
Taxes and licenses	2,915.89	3,222.80	3,977.60	3,385.56	224.00	219.00
Timber	9,149.60	11,443.90	12,577.63	8,352.00	16,627.54	10,407.00
Telephone	832.57	839.81	827.24	910.82	891.61	920.25
Utilities	9,392.08	6,657.63	7,179.64	7,493.17	10,302.76	11,711.66
Payroll	32,871.07	41,978.00	43,790.00	50,950.00	61,286.00	63,585.01
Water testing & fees	2,363.73	1,675.00	2,550.00	2,887.09	1,722.00	2,853.00
N/D penalties	16.00	0.00	0.00	0.00	0.00	0.00
Income tax expenditure (Note 7)	3,351.00	6,629.00	21,600.00	11,056.00	6,136.00	0.00
Franchise tax expenditure	1,105.00	4,368.00	9,010.00	2,268.00	4,812.00	26.00
Fire loss	0.00	0.00	0.00	0.00	0.00	-22,609.99
Total Expenditures	\$239,553.76	\$215,286.49	\$222,864.47	\$234,212.56	\$273,914.61	\$264,672.57
Excess Revenue Over Expenditures	\$48,567.19	-\$47,192.76	\$64,626.02	\$45,629.98	\$6,707.57	\$239,083.12
Members' Equity - beginning of period	500,423.14	548,990.33	501,797.57	566,423.59	612,053.57	618,761.14
Members' Equity - end of period	\$548,990.33	\$501,797.57	\$566,423.59	\$612,053.57	\$618,761.14	\$857,844.26

See Accompanying Notes and Independent Auditor's Report.

ODD FELLOWS SIERRA RECREATION ASSOC., INC.
 STATEMENT OF CASH FLOWS
 For Year Ended May 31, 2003

	OPERATING FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenues over expenditures	\$239,083.12
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	86,687.00
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$325,770.12
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of fixed assets	-58,631.00
Cost of Assets Sold	134,648.15
CASH FLOWS FROM FINANCING ACTIVITIES	
Interfund transfers	0.00
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$401,787.27
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	294,491.07
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$696,278.34
SUPPLEMENTAL DISCLOSURE	
Income taxes paid	\$93,547.00

See Accompanying Notes and Independent Auditor's Report.

ODD FELLOWS SIERRA RECREATION ASSOC., INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2003

NOTE 1. NATURE OF ORGANIZATION

ODD FELLOWS SIERRA RECREATION ASSOC., INC. (Association) was established in May 1949. The Association is incorporated under the state laws of California and restated its articles of incorporation on October 10, 1986.

The Association consists of approximately 400 acres of timberlands located in Long Barn, California. Within the boundaries of the Association exists a gated 365 lot subdivision and various park amenities. The purpose of the Association is to operate and maintain the common property of the Association, specifically the water system, garbage, and roads. The Association has established a timber plan to periodically log its timber. Proceeds from the timber harvest are used for capital acquisitions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Water Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the water system.

Equipment Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the equipment.

Road Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements of the roads.

Timber Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members, the subdivision lot owners, are subject to yearly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are billed in June and are considered delinquent if not paid by July 31st. The Association may file a Notice of Assessment Lien in Tuolumne County against the property owner for delinquent dues.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Interest Income

Interest income is allocated to the operating and other funds in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended May 31, 2003, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, property sales and investment income at regular federal and state corporate rates.

NOTE 3. PROPERTY AND EQUIPMENT

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost.

Water system	\$166,944.42
Roadways and related improvements	431,565.75
Maintenance equipment and vehicles	214,257.07
Office equipment and furniture	4,249.00
Leasehold improvements	<u>3,262.66</u>
	\$820,278.90
Less accumulated depreciation	<u>(657,208.00)</u>
	<u>\$163,070.90</u>

Depreciation Method

Depreciation is charged on the historical cost of plant and equipment on a straight-line basis ranging from five to thirty years.

NOTE 4. CASH AND CASH EQUIVALENTS

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Petty Cash	\$ 200.00
USB Checking	4,016.26
USB Money Market	111,388.38
USB Money Market	10,852.44
WSL Timber	64,658.44
WSL Water Reserve	38,295.97
Sentinel Savings Timber	91,203.59
Road Reserve Fund	52,164.89
Equipment Reserve	27,897.45
Westamerica Bank Timber	100,000.00
County Bank Timber	95,600.92
El Dorado Savings Timber	<u>100,000.00</u>
	\$696,278.34

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has not conducted a study to determine the remaining useful lives of the roads and water systems and current estimated costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, The Association has the right to utilize available cash, increase the timber harvest, pass special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE 6. INTERFUND TRANSFERS

The interfund transfer from the reserve fund to the operating consisted of assets purchased by reserve funds. All assets purchased with reserve funds are required to be reported in the operating fund.